Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of	)	
	)	
2000 Biennial Regulatory Review	)	
Comprehensive Review of the	)	
Accounting Requirements and	)	CC Docket No. 00-199
ARMIS Reporting Requirements for	)	
Incumbent Local Exchange Carriers	)	
Phase 2 and Phase 3	)	

COMMENTS OF QWEST CORPORATION

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Of Counsel,
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December 21, 2000

TABLE OF CONTENTS

SUMMARY

Qwest's recent merger with U S WEST, one of the original regional Bell Operating Companies ("RBOC"), has "brought home" to Qwest the incredible difference in accounting and reporting requirements between ILECs, CLECs, and IXCs. This difference is enormous and cannot be explained or justified by market conditions, regulatory needs or existing law. This proceeding represents an opportunity for the Commission to both comply with the dictates of Section 11 and to lift the burden of unnecessary and costly accounting and reporting requirements from large ILECs.

While Qwest applauds the Commission for moving forward with this proceeding, the NPRM as currently written does not acknowledge the importance of determining whether existing accounting and reporting requirements are "necessary," as is required by Section 11 of the Act. If the intent and language of Section 11 is to be satisfied, ILEC accounting and reporting requirements must be based on regulatory need. This standard requires that the Commission's inquiry be focused on "what rules are necessary," rather than "what rules can be eliminated." This is quite a different approach from that taken in the NPRM which offers minimal relief and almost invites commenting parties to suggest creative reasons as to why the existing rules should remain in place.

As a first step, the Commission should determine the absolute minimum set of accounting and reporting requirements that is necessary for it to perform its statutory duties under the Act. Any requirements beyond this minimum should be retained only if there is a compelling public interest. Such an approach rightfully places the burden of justifying any ILEC accounting and reporting requirements beyond the minimum on the parties advocating these requirements. It

would violate both the letter and intent of Section 11 to place the burden of proving that existing requirements are unnecessary on the regulated party (i.e., the ILECs).

If the Commission is to give proper deference to Congress and comply with Section 11, it must take a "fresh look" at its accounting and reporting requirements rules by establishing a reasonable standard for what is "necessary" in today's competitive price cap environment and eliminating all rules that do not meet this threshold test. The Commission should not start with the existing rules and "work backwards." The Commission's inquiry should be governed by today's regulatory and business environment, not yesterday's. Qwest is of the opinion that the results of such an effort would result in a significant downsizing and streamlining of the existing ILEC accounting and reporting requirements with little if any loss of regulatory efficiency.

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COMMENTS OF QWEST CORPORATION

Qwest Corporation ("Qwest"), through counsel and pursuant to the Federal Communications Commission's ("Commission" or "FCC") Notice of Proposed Rulemaking ("NPRM" or "Notice"),[1] hereby submits its comments[2] in the Commission's comprehensive review of accounting and reporting requirements under Section 11 of the Act.[3] As a large incumbent local exchange carrier ("ILEC"), an interexchange carrier ("IXC"), and a competitive local exchange carrier ("CLEC"), Qwest has a significant interest in the outcome of the Commission's review.[4]

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[1] In the Matter of 2000 Biennial Regulatory Review -- Comprehensive Review of the Accounting Requirements and ARMIS Reporting Requirements for Incumbent Local Exchange Carriers: Phase 2 and Phase 3, CC Docket No. 00-199, Notice of Proposed Rulemaking, FCC 00-364, rel. Oct. 18, 2000.

[2] In addition to submitting these comments, Qwest also concurs in the more detailed comments that the United States Telecom Association ("USTA") submits in this proceeding.

[3] 47 U.S.C. § 161.

[4] On June 30, 2000, Qwest merged with U S WEST to become a multi-faceted telecommunications provider with a major presence as an ILEC, an IXC and a CLEC. As such, the "new" Qwest is forced to balance many of the same competing interests in developing internal policy positions that the Commission grapples with on a regular basis in developing industry-wide rules.

I. INTRODUCTION

Qwest's recent merger with U S WEST, one of the original regional Bell Operating Companies ("RBOC"), has "brought home" to Qwest the incredible difference in accounting and reporting requirements between ILECs, CLECs, and IXCs. This difference is enormous and cannot be explained or justified by market conditions,[5] regulatory needs[6] or existing law.[7] This proceeding represents an opportunity for the Commission to both comply with the dictates of Section 11 and to lift the burden of unnecessary and costly accounting and reporting requirements from large ILECs. In order to do this the Commission must embrace both the spirit

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[5] There is no question that ILECs face significant competition in many parts of their business. In fact, the Commission explicitly recognized the magnitude of the competition facing large ILECs in interstate switched and special access markets when it adopted streamlined rules for introducing new services, geographic deaveraging (of services in the trunking basket), and a framework for granting price cap LECs greater pricing flexibility. See In the Matter of Access Charge Reform; Price Cap Performance Review for Local Exchange Carriers; Interexchange Carrier Purchases of Switched Access Services Offered by Competitive Local Exchange Carriers; Petition of U S West Communications, Inc. for Forbearance from Regulation as a Dominant Carrier in the Phoenix, Arizona MSA, Fifth Report and Order and Further Notice of Proposed Rulemaking, 14 FCC Rcd. 14221 (1999) (" Pricing Flexibility Order"). Under the Commission's pricing flexibility framework, price cap LECs are subject to lessened regulation and given significantly more pricing flexibility once they have met certain competitive-based thresholds.

The interconnection requirements in Section 251 of the 1996 Act have also had a dramatic impact on the competition that ILECs face and the way they conduct business. Unbundled network elements ("UNE"), resale discounts, number portability, and many other aspects of today's telecommunications marketplace did not even exist in the past. The current environment is a far cry from the days of an integrated Bell System when most customers were served by a single monopoly provider with no concept of what a UNE was -- let alone how to provision one.

[6] The accounting and information needs of today's regulators -- where price cap plans and incentive regulation is the norm -- differ significantly from those of past regulators where rate-of-return regulation prevailed.

[7] The 1996 Telecommunications Act is a vastly different statute from its predecessor. The Act has a very strong bias in favor of competition and less regulation. Thus, one would expect that regulatory requirements adopted prior to the 1996 Act would be closely scrutinized, rather than presumed to be "necessary."

and the letter of Section 11 and abandon its traditional approach to reviewing regulatory requirements.[8]

II. IN ORDER TO EFFICIENTLY AND EFFECTIVELY CONDUCT A REVIEW OF ACCOUNTING AND REPORTING REQUIREMENTS UNDER SECTION 11, THE COMMISSION MUST DEVELOP A STANDARD FOR DETERMINING "REGULATORY NECESSITY"

While Qwest applauds the Commission for moving forward with this proceeding, the NPRM as currently written does not acknowledge the importance of determining whether existing accounting and reporting requirements are "necessary," as is required by Section 11 of the Act.[9] As a first step, the Commission should determine the absolute minimum set of accounting and reporting requirements that is necessary for it to perform its statutory duties under the Act.[10] Any requirements beyond this minimum should be retained only if there is a

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[8] Section 11 is nothing less than a Congressional directive that the presumption that Motor Vehicles established -- that a regulation would be considered valid until it could be demonstrated on the record that it was no longer necessary -- is not valid in the telecommunications world. See Motor Vehicle Mfrs. Ass'n v. State Farm Mutual Auto Ins. Co., 463 U.S. 29 (1983). The Supreme Court's 1983 Motor Vehicles decision established the general statutory principle that the Administrative Procedure Act required no less support for deregulation than for regulation. In effect, this decision made deregulation as difficult as regulation. This was demonstrated by a series of Ninth Circuit Court of Appeals' decisions on Computer Inquiry II. Relying on the Motor Vehicles decision, the Ninth Circuit issued a string of decisions which made it virtually impossible for the Commission to eliminate the CI-II structural separation rules long after these rules had been proven to be counterproductive and harmful. See, e.g., California v. FCC, 905 F.2d 1217, 1231, 1233-34, 1238-39 (9th Cir. 1990); California v. FCC, 39 F.3d 919, 925, 928-30 (9th Cir. 1994). The possibility of such a scenario occurring again was substantially lessened with the adoption of Section 11, which establishes a statutory presumption that regulation is not necessary, and a statutory command that regulations be eliminated which are not proven to be still necessary.

[9] Section 11 of the Act contains two sections. The first directs the Commission to review all existing regulations and "determine whether any such regulation is no longer necessary in the public interest as the result of meaningful economic competition between providers of such service." The second section requires that the "Commission shall repeal or modify any regulation it determines to be no longer necessary in the public interest." 47 U.S.C. § 161.

[10] A key question in interpreting the requirements of Section 11 and performing this first step, is determining what is meant by the word "necessary." To the best of Qwest's knowledge, neither the Commission nor any Court has defined the term "necessary" as it is used in Section 11.

compelling public interest.[11] Such an approach rightfully places the burden of justifying any ILEC accounting and reporting requirements beyond the minimum on either Commission staff or other parties advocating these requirements.[12] The burden of proof should not be placed on the regulated party (i.e., the ILECs), as has traditionally been done, to prove that existing requirements are unnecessary. Even if such an approach was justified in the past, it surely is not now with the passage of Section 11 which directs the Commission to eliminate "unnecessary regulation."[13]

While Qwest acknowledges that the Commission has attempted to define the term "necessary" with respect to Section 251, it is also clear that the Commission's expansive definition was not well-received by the U. S. Supreme Court or the District of Columbia Court of Appeals. See Supreme Court review of 8th Cir. Iowa Utilities Board Decision, 525 U.S. 366 (1999) and the D.C. Circuit's Collocation Decision, GTE Serv. Corp. v. FCC, 205 F.3d 416 (D.C. Cir. 2000). Qwest believes that it would be inappropriate for the Commission to adopt an expansive definition of the term "necessary" for Section 11 purposes. There is no question that Congress intended that there be fewer, more streamlined rules after the Commission conducted a Section 11 biennial review. Thus, if a rule is not actually "necessary" for the Commission to do its job, it should be eliminated.

It is Qwest's opinion that the word "necessary" as it is used in Section 11 means that the information flowing from an accounting or reporting requirement must be directly used to regulate the affected companies (i.e., ILECs) and that such regulation is required to protect the public interest. A requirement would not be deemed to be "necessary" under this definition if the information is merely helpful or of general interest to regulators. Similarly, if an accounting or reporting requirement was the product of another era (e.g., when the ILECs were true monopolists subject to rate-of-return regulation) and the information is no longer directly used to regulate the provision of ILEC services in today's environment, it would not be a necessary requirement and should be eliminated.

[11] It should be recognized that even in the absence of any Commission-mandated accounting standards, Qwest's accounting practices will be subject to significant regulation and structure under Generally Accepted Accounting Practices ("GAAP"). Moreover, under Section 11 and the test that Qwest delineates in Section III, herein, the Commission must find that GAAP accounting will not permit the Commission to perform its statutory duties before finding that the Commission's existing accounting requirements should be retained.

[12] As the Commission well knows, ILECs' competitors are not the least bit reluctant to suggest, with little or no evidence or justification, that regulatory requirements be increased for ILECs.

[13] See note 8, supra.

Furthermore, the Commission's review/determination cannot be standardless nor can its decisions be based on regulatory convenience (such as the fact that Commission staff or the states may find certain ILEC data to be "helpful or informative"). If the intent and language of Section 11 is to be satisfied, ILEC accounting and reporting requirements must be based on regulatory need. This standard requires that the Commission inquiry be focused on "what rules are necessary," rather than "what rules can be eliminated."[14]

This is quite a different approach from that taken in the NPRM which offers minimal relief and almost invites commenting parties to suggest creative reasons as to why the existing rules should remain in place.[15] With such an approach it is inevitable that competitors and the states will advocate the retention of virtually all existing rules and then some. The Commission should avoid the temptation to adopt a rebuttable presumption that all existing rules are necessary. Not only would such an approach place an unfair burden of proof on the ILECs, it would be at odds with Section 11.[16]

The Commission still has an opportunity to get this rulemaking proceeding back on track. As a first step the Commission should make it clear that the role of this Section 11 biennial

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[14] While it is theoretically possible to end up with the same set of requirements by starting out with the existing set of rules and asking "what can be eliminated," it is highly unlikely and a very inefficient way of determining what accounting and reporting requirements are necessary for regulators to perform their statutory duties. Also, it is contrary to human nature -- once you have something, you don't want to give it up because you may "need" it at some time in the future. We only have to look at our personal lives to confirm this truism.

[15] The Notice also suggests that the Commission may expand existing requirements in response to requests from the states. There is no basis for this suggestion in the language of Section 11. Not only would the expansion of existing accounting and reporting requirements be of questionable lawfulness in a Section 11 biennial review, it would be totally at odds with the intent of Section 11 which is aimed at eliminating "unnecessary" regulation.

[16] Even if the Commission declines to adopt a clear-cut standard or test for determining "regulatory necessity," the burden of proof should shift to those advocating retention of existing requirements once ILECs have made a prima facie showing that a requirement is unnecessary.

review is to eliminate unnecessary accounting and reporting requirements, not to increase these requirements. Next, the Commission should devote its energies to developing a workable standard that is directed at determining the minimum set of accounting and reporting requirements that is necessary to perform its statutory duties. Then, this standard should be applied to the Commission's existing accounting and reporting requirements to derive the minimum set of requirements. Next, the Commission should examine other federal accounting and reporting requirements (e.g., Securities Exchange Commission ("SEC")) to see if these requirements can be used in lieu of a separate Commission requirement.[17] If they can, the minimum set of requirements should be reduced to reflect the use of these alternative sources of information.

Qwest is of the opinion that the results of such an effort would result in a significant downsizing and streamlining of the existing ILEC accounting and reporting requirements with little if any loss of regulatory efficiency.[18] Only after a minimum set of requirements has been identified should the Commission consider retaining any other existing requirements. Furthermore, the Commission should not adopt any additional requirements beyond this minimum set unless it finds a compelling public interest reason to do so.

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[17] The FCC is but one agency in a vast federal bureaucracy that has piled requirement after requirement on the backs of large companies. It is extremely burdensome and costly for large companies such as the ILECs to meet the information demands of the federal bureaucracy. It is hardly unrealistic or unreasonable to ask these agencies first to consider other sources of information before adopting specialized accounting and reporting requirements.

[18] While the NPRM asserts that existing accounting and reporting requirements provide much valuable information to the Commission to perform its duties, this claim is at best questionable. Time and again, Qwest has found itself in the position of resubmitting information or submitting some variation of the reported information in response to Commission or staff requests when questions or issues actually arise.

III. QWEST BELIEVES THAT A SIMPLE TEST IS SUFFICIENT TO DETERMINE WHETHER AN ACCOUNTING OR REPORTING REQUIREMENT IS "NECESSARY"

Many of the accounting and reporting requirements ILECs face today are the product of a long history of cost-based rate-of-return regulation that no longer exists at the federal level or in most states. For example, it is highly unlikely that if the Commission were starting with a "clean slate" today that it would find it necessary to develop and prescribe a totally separate set of depreciation rates for ILECs (i.e., from those used for SEC financial reporting purposes). There would be no need or purpose in today's price cap environment since depreciation rates normally do not affect prices.[19] Similarly, the need for many detailed sub-accounts has disappeared with the adoption of price cap regulation and the movement away from cost-based ratemaking. The net result of all of these actions over almost seven decades is that ILECs were required to develop and maintain a totally separate set of books for regulatory purposes. But for regulation, these books (currently maintained in accordance with the Part 32 rules) would not exist in their current form.

If the Commission is to give proper deference to Congress and comply with Section 11, it must take a "fresh look" at its accounting and reporting requirements to determine what is necessary in today's environment. The Commission should not start with the existing rules and

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[19] Qwest recognizes that under certain circumstances depreciation expenses might have an effect on the low-end adjustment mechanism. But the likelihood of this happening is remote given the adoption of the CALLS proposal and the Commission's recent Depreciation Orders. See In the Matter of Access Charge Reform, et al., Sixth Report and Order in CC Docket Nos. 96-262 and 94-1, Report and Order in CC Docket No. 99-249, Eleventh Report and Order in CC Docket No. 96-45, 15 FCC Rcd. 12962 (2000) ("CALLS") and In the Matter of 1998 Biennial Regulatory Review -- Review of Depreciation Requirements for Incumbent Local Exchange Carriers; Ameritech Corporation Telephone Operating Companies' Continuing Property Records Audit, et al.; GTE Telephone Operating Companies Release of Information Obtained During Joint Audit, Second Report and Order in CC Docket No. 99-137 and Order in CC Docket No. 99-117 and AAD File No. 98-26, FCC 00-396, rel. Nov. 7, 2000.

"work backwards." The Commission's inquiry should be governed by today's regulatory and business environment, not yesterday's.

While the Commission is in the best position to articulate its regulatory role and ultimately to determine the minimum amount of information that is necessary for it to perform these duties, Qwest believes that the following criteria and two-step process are sufficient to determine whether an accounting or reporting requirement is "necessary" for purposes of complying with Section 11.

The first step in this process is to identify a threshold set of accounting and reporting requirements by answering the following questions:

1. Is the proposed information required to regulate ILECs in a price cap/CALLS environment?
2. Is the information required to discharge the Commission's obligation to ensure adequate Universal Service Fund ("USF") support?
3. Is the information required to protect consumers from cross-subsidies?
4. Is the information required to allow states to discharge their pricing responsibilities under the Act?

Needless to say, if the answer to any one of the above questions is no -- the requirement would not be necessary and should be eliminated or significantly modified.

The determination of what is "necessary" does not end with the above process. The results of the first step simply determine whether the information in question is required for the Commission to perform its statutory duties -- not whether the Commission should adopt its own specialized accounting or reporting requirement. In order to identify "necessary" FCC-specific requirements, a second set of questions must be answered.

1. Is the information or a reasonable proxy already being reported to or compiled for some other federal agency?

2. If the information is needed and a reasonable proxy is not available from other sources, is the information required to be formatted/compiled/reported on a regular basis or is it sufficient to put ILECs on notice that they must be prepared to provide the data upon request?

3. If the information is required at regular intervals or upon request, what is the minimal level of detail (i.e., the highest level of aggregation) that is required for the Commission to perform its duties?

The net result of the above two-part test should be a minimal set of accounting and reporting requirements that satisfies Section 11 and gives the Commission the information it needs to do its job without burdening ILECs with layer upon layer of redundant and unnecessary requirements.[20]

IV. AT A MINIMUM, THE COMMISSION SHOULD ADOPT THE STREAMLINING PROPOSALS CONTAINED IN THE NPRM

While Qwest is of the opinion that in order to comply with Section 11, the Commission must develop a standard for determining "regulatory necessity," there is no question that the NPRM's proposed changes would satisfy even the most liberal standard that could conceivably be adopted by the Commission. At a minimum, the Commission should adopt the NPRM's proposed changes as soon as possible and then devote its energies in Phase 3 to developing and applying a workable "regulatory necessity" standard. This effort should produce a minimal set of accounting and reporting requirements that would provide the Commission with sufficient information to perform its statutory duties without placing an undue burden on ILECs, as the current rules do. Make no mistake about it, this effort would result in the Commission jettisoning much unnecessary baggage -- but that is exactly what Congress intended when it adopted Section 11.

[20] For example, it would appear that GAAP accounting is sufficient to meet the needs of the Commission. Any party advocating requirements beyond GAAP should bear a heavy burden of proof.

Qwest also believes that all of the proposed changes contained in USTA's comments, filed herein today, would satisfy such a "regulatory necessity" standard. The following three examples indicate that USTA's proposed changes are reasonable and comply with both the letter and the intent of Section 11.

A. Elimination of the Three-Year Peak Usage Rule

Part 64.901 requires that carriers assign costs between regulated and nonregulated activities according to the following principles: 1) if the nonregulated activity is using a tariffed service, charge the tariffed rate; 2) if there is no tariffed rate, directly assign costs, if possible; 3) where costs can not be directly assigned (i.e., common costs), costs should be grouped into homogenous cost pools and allocated between regulated and nonregulated activities according to certain principles; and 4) central office equipment ("COE") and OSP investment must be allocated between regulated and nonregulated activities on the basis of relative use, using peak nonregulated usage during a three-year forecast period.

The Commission's cost allocation rules were adopted at a time when there was very limited competition in the provision of local exchange service. The primary concern was to avoid any possibility that customers of regulated services might pay more than their fair share of common costs. This was a valid concern when LECs were subject to rate-of-return regulation and any cost allocation change would be reflected in LEC rates; this is no longer the case. Neither the Joint Cost Orders[21] nor the Commission's rules contemplated price cap regulation or

[21] In the Matter of Separation of costs of regulated telephone service from costs of nonregulated activities; Amendment of Part 31, the Uniform System of Accounts for Class A and Class B Telephone Companies to provide for nonregulated activities and to provide for transactions between telephone companies and their affiliates, Report and Order, 2 FCC Rcd. 1298 (1987), on recon. 2 FCC Rcd. 6283 (1987).

the passage of the 1996 Act -- let alone the Act's impact both in terms of opening local markets to competition and in unbundling local services.

One of the biggest challenges in this new environment is to forecast future demand for LEC services and UNEs.[22] All charges for CLEC interconnection and UNE usage are based on actual usage, rather than forecasted demand with ILECs bearing the investment risk associated with building the necessary facilities. In today's environment,[23] there is no reason for ILECs' nonregulated activities to be treated any differently than CLECs'.[24]

In addition to extreme changes in the LEC operating environment with the passage of the 1996 Act, the volume of common investment (i.e., for ILEC regulated and nonregulated activities) has never approached the level anticipated by the Joint Cost Order. For example, common COE and OSP investment for Qwest is in the 3-4 percent range (with nonrecurring in the 0.6-0.8 percent range). Over 97 percent of the investment in Qwest's nonregulated COE and cable and wire accounts has been directly assigned. The amount of common investment in these accounts would be even lower if ILECs were allowed to use UNEs as the prevailing price, as is allowed by Part 32 for affiliate transactions.

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[22] While CLECs are normally required to provide forecasts of future demand under existing interconnection agreements, many of these forecasts are of questionable validity. The uncertainty and lack of candor in CLEC forecasts is hardly surprising given the sensitive nature of this information and the competitive forces affecting CLEC behavior. Despite this, ILECs have invested large amounts in basic telecommunications infrastructure to accommodate CLEC interconnection and existing and anticipated demand for UNEs.

[23] The 1996 Act envisions quite a different "end game" than the separate monopoly market for basic LEC services that the Computer III Orders and Joint Cost Orders assumed when the three-year peak usage forecast requirement was adopted. The Act anticipates that a number of telecommunications carriers will be aggressively competing to provide customers with bundles of telecommunications services including local, long distance, Internet access, and numerous ancillary services. In order to jumpstart competition, the Act requires ILECs to interconnect with CLECs at any technical feasible point and to provide a variety of UNEs upon request.

[24] The affiliate transactions rules in Part 32.27 effectively recognize this by allowing LECs to use UNE prices in accounting for transactions between the regulated entity and its affiliates.

Clearly, the three-year peak usage forecast is an anachronism, which serves little or no purpose in a local exchange environment subject to price cap regulation (without sharing), pricing flexibility, and extensive interconnection and unbundling requirements. It is a costly burden on ILECs, which provides little, if any, protection for regulated ratepayers. This requirement would not pass the above two-part test and is not "necessary" for the Commission to satisfy its statutory duties in today's environment. As such, it should be eliminated in the Commission's Section 11 review.

B. Modification of Fully Distributed Cost ("FDC")/Fair Market Value ("FMV") Rule in Affiliate Transactions

There are many aspects of the affiliate transactions rules which cry out for elimination or modification because they are "unnecessary" or the administrative burden to ILECs far outweighs any superficial public interest reason for their continued existence. A prime example of a rule that is unnecessary and serves no public interest is the requirement that a FDC/FMV comparison be performed (with few exceptions) for a service which an affiliate is willing to provide to the regulated entity at no cost. Clearly, there can be no possibility of unlawful cross-subsidization in such situations if the affiliate is not charging the regulated entity. Despite this, the current rules require that ILECs comply with the FDC/FMV requirement or obtain a waiver.[25] It should be obvious that such rules should be eliminated or substantially modified under any Section 11 Biennial Review or "regulatory necessity" standard. The Commission should take immediate action on these "no brainers."

[25] In the Matter of BellSouth Telecommunications, Inc.'s Permanent Cost Allocation Manual Waiver of Section 32.27 of the Commission's Rules, ASD File No. 00-42, DA 00-2418, rel. Oct. 27, 2000.

C. Use of Class B Rather Than Class A Accounts

USTA's comments, demonstrate that the Commission's rules that require large ILECs to use Class A accounting cannot be justified on the basis of "regulatory necessity." In fact, USTA points out that Class B accounting would significantly reduce the regulatory burden on large ILECS and provide the Commission with sufficient information to perform its statutory duties. USTA observes that Class A accounting is not necessary for: jurisdictional separations,[26] Part 64 allocations,[27] USF purposes, and establishing prices under price cap regulation[28] or arbitrating interconnection agreements at the state level.[29] While it is clear that many regulators find the detailed accounting information provided by Class A accounting to be informative and of interest, that is not sufficient to satisfy the above standard or the compelling public interest requirement in Section 11. Therefore, the Class A accounting requirement should be eliminated for large ILECs in this biennial review.

V. CONCLUSION

This proceeding represents an opportunity for the Commission both to comply with the dictates of Section 11 and to lift the burden of unnecessary and costly accounting and reporting requirements from large ILECs. Qwest urges the Commission to take a "fresh look" at its

[26] Class B accounts are currently used in the Part 36 separations process.

[27] The Commission's Part 64 rules neither reference Class A accounts nor require that they be used. In fact, Qwest uses more detailed information than is available from Class A accounting to satisfy the Part 64 rules.

[28] Class A accounts are not required for pricing. Access prices are neither set using individual Class A account balances nor are such balances used to calculate exogenous adjustments.

[29] States are not required to use Class A accounts to arbitrate interconnection pricing disputes, neither do the states use Class A accounts in arbitrating with small ILECs subject to Class B accounting.

current rules by establishing a reasonable standard for what is "necessary" in today's competitive price cap environment and eliminating all rules that do not meet this threshold test.

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December 21, 2000

CERTIFICATE OF SERVICE

I, Richard Grozier, do hereby certify that I have caused 1) the foregoing **COMMENTS OF QWEST CORPORATION** to be filed electronically with the FCC by using its Electronic Comment Filing System, 2) a paper and diskette copy of the **COMMENTS** to be served, via hand delivery, upon the entity listed on the attached service list (marked with a number sign), and 3) a paper copy of the **COMMENTS** to be served, via hand delivery, upon all other persons listed on the attached service list.

Richard Grozier
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December 21, 2000

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CC00-199a-el.doc
Last Update: 12/21/2000